

The BRIDGE

The Credit Union Way to Economic Betterment

Official
Publication
of the
**CREDIT UNION
NATIONAL
ASSOCIATION**
Inc.

MAY, 1943



How's Your Collateral?

One of the most important functions of a well run credit union is the establishment of credit facilities easily available to those who cannot borrow money from the ordinary old-line sources. Closely allied to this function is the enhancement of the members' personal credit.

Strictly speaking, no financial institution can extend credit to anyone. Credit is not a commodity, like clothing or groceries or fuel which can be bartered over the counter. If a man has credit he created it for himself. Credit is created by the consciousness of responsibility to obligations. A credit union merely sizes up what a man's credit is and lends a hand in helping him to improve and enhance it. It estimates a man's sense of responsibility—character, in other words—and backs that estimate with a loan.

The Just Way

This is the essence of justice. No matter how bereft of this world's goods a man may be, no matter how little collateral he may possess, he still has credit provided his character—his sense of responsibility to obligations—is true. The emphasis in the credit union philosophy is always on the man—his worth, not the worth of his holdings. Take the Rochdale principle: One man, one vote. That says, in effect, that man, not the material must count in business affairs.

In finance-capitalism the number of shares a stockholder owns determines the number of votes he has in a business enterprise. No matter how many or how few shares a member holds in a credit union he has but one vote; all members have equal standards among themselves. There is no proxy voting. Thus they make a reality of democratic action. Man's worth as man counts for nothing in the financial institutions of a money-mad world. Whether a man was a renegade or not made little difference in the heyday of rugged individualism so long as he could lay collateral on the line when he wanted a loan of money. But if a worker had no land, real estate, bonds, stocks or other material goods, though he be of good character, thrifty and industrious, credit was denied him in the ordinary financial institutions of the land.

Man's Worth

Credit unions, on the contrary, take man's worth as a man for collateral and perhaps that is one of the secrets of their great success.

In line with all this it is conceivable that credit unions will play their greatest role in the future world order by teaching people the proper use of money and credit. They will teach a philosophy of economics based on truly democratic concepts. They will indoctrinate principles of social justice and economic equality. Because they stand for mutual self-help, credit for character and co-operative use of money as against the dog-eat-dog, devil-take-the-hindmost manipulation of money matters, credit unions may prove to be the instrument through which the financial operations of the country may be ultimately put in the hands of men of character.

The Maritime Co-operator.

THE BRIDGE

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THE BRIDGE—May, 1943

Why Not Candor in Small Bank Loans

OVER forty state legislatures are meeting this year, and a number of them are likely to be faced with a highly controversial problem on the home front. In recent years several thousand banks have entered the field of personal instalment loans. Some of them on a large scale. In many states their charges for such loans are higher than those allowed by banking and usury laws. Foreseeing a great expansion of post-war demand for consumer credit and a continuing decline in the demand for commercial loans, a growing number of bankers associations are now seeking legislative sanction for these charges.

The underlying question is not whether banks should be authorized to make personal loans at profitable rates. Banks are capable of making such loans at lower cost than any other type of lending agency, and there is general agreement that they should be encouraged to engage in this business. The controversy arises solely over the method of computing what the small borrower must pay.

Some bankers insist that they should be permitted to discount their charges and to assess fines for delinquency. This method has been resorted to by most commercial banks which make personal loans and by industrial banks and discount loan companies in certain states. Under it, interest and other charges are taken in advance from the face amount of the note signed by the borrower. That is, the bank discounts them.

Let us see what this means. For example, you may need some extra money right now to meet your income tax in March. You sign a note for \$100, payable in twelve monthly instalments. If your bank discounts this at 6 percent, you get not \$100 but the use of \$94 for one month and the use of smaller and smaller sums in each succeeding month by virtue of your instalment payments. In reality, then, you have the use of an average of only \$50.92 for the year for that discount charge of \$6. Your interest rate is not 6 percent but very nearly twice that. If investigation, service and insurance charges are collected (also in advance), the interest rate goes up accordingly—many instances to 25 percent or higher. And if you are delinquent on any month's instalment you may find yourself fined an extra 5 percent on it.

On the other hand, there are bank commissioners, legislators, and stu-

Notwithstanding popular opinion, bank rates on small loans are commonly higher than credit union rates. There is now a concerted effort to force banks to state their charges in terms of true interest per month on unpaid balances; in Wisconsin the struggle has become a lively one with banks on one side and loan companies on the other. Such a competitive battle need not, of course, involve credit unions; this article is presented for its facts, which many credit union members need to know.

By Rolf Nugent

dents of the problem who believe that this discount method leads inevitably to misunderstanding by the small borrower as to the true rate of charge. They urge, therefore, that banks—as a condition of charging rates on this class of loans higher than those permitted them in their ordinary transactions—should be required to compute and to state their charges as an inclusive simple interest rate calculated on the schedule of unpaid balances remaining as the instalment payments bring the principal down.

This method has long been recommended by the Russell Sage Foundation's Department of Consumer Credit Studies for all agencies which make personal instalment loans. Under it, the borrower receives the full amount of his loan and signs a note promising to repay this sum with charges computed as above.

CREDIT unions and regulated small loan companies, which together with banks constitute the leading consumer instalment credit agencies, are already required in most states to compute their charges at an inclusive percentage rate. Nonetheless, proposals to apply this principle of rate computation to legislation authorizing banks to conduct a personal loan business have given rise to a storm of protest. Banking publications have carried many columns of one-sided arguments on the subject, and the daily newspapers in some cities have picked up these stories.

Unfortunately the debate has been clouded by repeated assertions that the pressure for simple interest rates has come from the small loan companies, which are presumed in some undisclosed way to gain a competitive advantage if kindred requirements are applied to the banks. Opponents of the discount and fee method have been attacked as playing the small loan company's game.

In Wisconsin, for example, Bank

Commissioner Robert K. Henry has become a target because he recommended legislation requiring banks to compute their personal loan charges at a percentage rate on unpaid balances. Speaking of this proposal, the chairman of the Wisconsin Bankers Association's legislative committee said, "We resent a loan company seeking legislation to regulate banks."

Mr. Henry, himself a veteran banker, replied: "This is my bill and mine alone. . . . I am introducing it because of convictions I have had for many years, because I think it is fair and just for the public, and because I think it will insure banks against what might become a scandal."

The Russell Sage Foundation has been similarly accused, even though its department is merely reasserting principles for which it has fought for thirty years. Thus the chairman of the Consumer Credit Council of the American Bankers Association commended the Foundation for its "interest in seeing that injustices of the high rate unlicensed lenders are corrected," but ascribed its "interest in a model personal loan statute for banks" to motives "entirely foreign" to its "worthy purpose." Less responsible partisans have spread rumors that the Foundation has substantial investments in small loan companies, which it is seeking to protect. The question is obviously a live one to induce such invective and it is high time to clarify the issues and bring the facts out into the open.

Let's begin with the bugaboo of the small loan business, which has served to divert the attention of the great majority of bankers from the main issues.

True, some small loan companies have urged banks to state their charges in terms of inclusive percentage rates. In an open letter to bankers last April, Byrd E. Henderson, president of the Household Finance Corporation, said:

"The issue is a choice between two courses of action which are open to all the institutions which make such loans, my company included. We be-

lieve that all agencies which make small, instalment consumer loans should advertise, compute, and collect their entire charge as a simple percentage rate on declining unpaid principal balances. . . . The exclusive use of this method seems to us to be required by ordinary business statesmanship, because it will prevent abuses by irresponsible units. . . ."

This is by no means the attitude of the small loan business as a whole. The requirement that charges be computed at inclusive percentage rates was imposed upon the small loan business by law—at first over its virtually unanimous opposition. Even today a considerable segment of the business would relish the opportunity to escape the disclosure of charges in such terms that the applicant can understand them and make satisfactory comparisons. That has caused many persons to think twice before borrowing and exerted a healthy competitive pressure for reduction of charges.

BANKS themselves have natural advantages in any equitable competition. Through the use of cheap deposit funds, both their capital costs and taxes are lower than those of non-banking lenders. They start with an existing clientele developed through other activities, and personal loans can frequently be handled as a side line with little additional overhead. To the extent that banks charge lower rates than small loan companies, and most of them do, the requirement of candor would be clearly in their interest. To the extent that banks get higher charges than loan companies, and some of them do, small loan companies would gain by bringing this out in the open. Borrowers would gain on both counts.

The truth is that competition between banks and small loan companies is relatively limited. Banks lend primarily on endorsed notes, while small loan companies make loans generally on single-name and husband-and-wife notes, either unsecured or secured by household furniture. These types of lending are not directly comparable either in technique, or cost, or consumer appeal.

If small loan companies were out to keep the banks from the personal loan field, they could be expected to attack the policy of permitting depositors' funds to be used in a field which differs so substantially from traditional banking practice and which lacks the safety and quick liquidity that have been customarily sought for bank investments. The validity of such a contention is extremely doubtful. But strangely enough, it has been used by commercial banks in New

York to prevent mutual savings banks from making personal loans. Small loan companies themselves have not resorted to similar tactics, and until they do, the competitive bugaboo can be laid to rest.

What then animates those who favor this reform? Simply the conviction, born of experience, that the best interests of borrowers, of lenders, and of the public are served by using a readily-comprehensible common method of expressing and computing charges for personal loans. This is not grade-labeling. There are many kinds and qualities of loans—differences in amounts, in security requirements, and in other conditions which are quite apparent to the borrower. The proposal is more precisely comparable with the requirement that weight and volume be recorded on packages and other containers. It requires those who make loans to consumers to use the same scales in weighing out and pricing their wares.

The principle is not new. Interest has been defined universally as a charge for the use of money. Both in popular conception and in the courts, the rate of interest expresses the relationship between three factors; the charge made, the sum lent, and the time for which the borrower has its use. To go back a bit:

The very earliest regulatory small loan law, enacted in New York State in 1895, required money lenders to compute their charges at a percentage rate on unpaid principal balances.

In 1908, Samuel McCune Lindsay, professor of social legislation at Columbia University, drafted a model small loan law which contained a similar provision.

In 1910, the Russell Sage Foundation established a department to search for remedies for the loan shark problem. Its legislative recommendations have consistently included the requirement of an inclusive percentage rate on unpaid balances.

This has been true of its Uniform Small Loan Law, seven successive drafts of which have been published by the Foundation since 1916.

The Uniform Pawnbroking Law published by the Foundation in 1923 contains a similar rate-of-charge provision.

Today, almost all credit union statutes and regulatory small loan statutes require charges to be stated and computed as percentage rates on unpaid balances.

The Foundation's Department of Consumer Credit Studies has repeatedly urged kindred provisions with respect to the personal loan charges of banks. In 1935, at the request of the superintendent of banks in New

York, it participated in drafting a bill which, while permitting discounts, required charges to be stated in simple interest in notes and in advertisements. However, the advertising provision was stricken out at the time of passage, with result that the original intent to compel disclosure of the rate of charge has been largely nullified.

AFTER further exploration of the problem of applying personal loan legislation to both state and national banks, our department developed and recently circulated a tentative draft of a model law as a basis for comment and discussion. Its requirements are exceedingly moderate as compared with the do's, don'ts, and penalties of the Uniform Small Loan Law, but the draft includes a specific provision for computation of charges in simple interest.

Now it matters very little how charges are stated or computed in large commercial-loan transactions. The borrowers concerned are generally able to make fine cost calculations and to bargain for the best terms. But for small personal loans, where borrowers are likely to be unskilled in interest computations and pressed by need or ignorance to take the first offer, the method employed becomes highly important. Let me recapitulate the advantages of the requirement that charges be computed as inclusive percentages of unpaid principal balances. This method:

Reveals the cost of borrowing in unmistakable terms.

Assists the borrower in choosing the lowest cost loan.

Prevents the lender from increasing the agreed rate of charge.

Encourages the borrower to get out of debt as rapidly as possible.

Permits him to repay the loan without sacrifice any time he can get the money more cheaply elsewhere.

These advantages would probably be admitted as substantial by bankers generally if the requirement were confined to small loan companies, pawnbrokers, and credit unions. But officials of the American Bankers Association have vigorously denied its propriety when applied to banks. They have advanced five arguments in support of their position:

1. That discounting interest is traditional with banks, and the statement of charges in simple interest rates would, therefore, compel a change in established bank practices.

2. That discounts permit loan costs to be expressed in dollars, which borrowers understand more readily than percentages.

3. That banks, which are reputable

and already highly regulated, need no additional regulation.

4. That banks would have to increase their charges if they were compelled to state and to compute them in simple interest.

5. That it would be undignified for banks to have to state their charges in the same way as small loan companies.

Let us examine each of these arguments in turn.

1. TRADITION. It is true that the practice of discounting interest in advance has been common among banks. For commercial bills and trade acceptances, discounts are universally used. For ordinary loans to customers, however, interest is collected far more frequently on unpaid balances. Most banks are currently discounting interest on personal instalment loans, but there is nothing inherent in their nature to make the discount device essential or even desirable. On the contrary, its chief advantage in that field has been to give the appearance of a lower interest rate than actually obtained.

2. DOLLAR COSTS. The argument that borrowers can understand dollar costs more readily than percentage rates was advanced long ago by money lenders who wished to avoid disclosure of their true rates of charge under the Uniform Small Loan Law. It is impressive only to the uninitiated and loses point when it is carefully explored.

Let Bank Commissioner Henry of Wisconsin express himself on this question. In answer to Walter B. French, deputy manager of the American Bankers Association, he said:

"Your statement that the common denominator of a loan transaction is dollars not percentage is not only astounding but revolutionary. . . . I have made thousands of bank loans and rarely has a borrower asked me how much a loan would cost in dollars and cents. . . . The question has been, 'What rate do I have to pay? . . . Since the beginning of banking, the charge for the use of money loaned has been expressed in terms of interest and to deny that would be the height of folly. When the savings depositor lends his money to the bank, is payment to him expressed in terms of dollars or percentage?"

A great economist once said, "If there were no price system we would have to invent one." Similarly, if there were no means of expressing the "price" of loans in a formula which comprehends both amount and time, every lending agency would be struggling to find one for its own salvation.

Moreover, if an accurate statement

of dollar charges is to be made, the agency that discounts at 6 percent would have to say, "We charge \$6 for the use of an average amount of \$50.92 for one year." The average amount lent would decrease as the discount rate increases.

An instalment loan is not something that can be tied up in a package and sold over the counter as a specific unit. Only a very small fraction of such loans are paid precisely according to schedule. Some instalments are delinquent; others are paid ahead of time. And many loans—the number has frequently been estimated at as high as 75 percent for banks—are refinanced before the last payment has been made. Under these circumstances, an initial dollar charge is virtually meaningless, and it may be deliberately misleading if, as the result of delinquency or refinancing, the rate of charge is substantially increased.

Statements of dollar costs of typical loans provide very useful supplementary information but only when rates of charge have been established.

3. PROTECTION TO BORROWERS. The argument that banks are reputable and already highly regulated and, therefore, need no further regulation to control their personal loan practices, smacks strongly of special pleading. Certainly banks are generally reputable, yet an elaborate system of regulation has been necessary to prevent instances of dishonesty and to assure solvency. Certain banks are highly regulated, but the regulation has been limited largely to the protection of depositors. No banker who has any knowledge of the national picture could deny that a large part of the personal loan business now being operated by banks is contrary to the intent of the law.

It is true that the personal loan charges of many banks are exceedingly moderate. One bank in New York City discounts its notes at 3.5 percent, a charge which is uniquely low in the history of personal loans. Discounts of 5 and 6 percent, which are also reasonable for the kind of loans made, are common. There are, however, two objectionable features to such charges.

First, low as they are, the borrower is given the impression that the price is lower than it actually is. The true rate of charge on a note discounted at 3.5 percent and payable in monthly instalments over the period of a year is 6.7 percent a year. If the note is discounted at 6 percent, the true rate is 11.8 percent a year, or about 1 percent a month.

Actual interest rates are rarely, if ever, quoted in bank advertisements. On the contrary, the discount rate is frequently represented as though it

were an interest rate. For instance, advertisements have frequently offered "personal loans at bank rates" or "loans at 6 percent" when the true rate of charge was close to 12 percent a year. Even when a discount rate is clearly stated as such, most borrowers confuse it with an interest rate.

Several years ago the Federal Trade Commission found that advertisements of a "6 percent plan" by sales finance companies "misled and deceived a substantial part of the purchasing public into the erroneous and mistaken belief" that they contemplated an interest charge of 6 percent a year when, in fact, the charge amounted "to approximately 11.5 percent simple interest." The findings and order of the commission were upheld by the Circuit Court of Appeals and the Supreme Court. It is strange to find banks asking for legislation that would validate the same kind of advertising on their part.

A second objection is that, while the true interest rate is double the quoted rate when loans are paid according to schedule, it may be still higher if loans are delinquent or refinanced. When loans are paid off in short periods and no rebate of the unearned discount is allowed, rates of charge may be extremely high even when the discount rate is very low. And in typical transactions, when loans have been delinquent and refinanced before maturity, I have seen cases where the annual interest rates on loans offered at 6 percent discount were as high as 22 percent.

Banks that charge only a 3.5, 5 or 6 percent discount are, however, in the minority. In states where the conventional interest rate is 8 or 10 percent a year, these figures become the common discount rate for personal loans. Other banks, which offer loans at 6 or 8 percent discount, often charge a 2 percent investigation fee in addition. When such loans are paid according to schedule, the actual interest rates goes up to 16.1 percent and 20.5 percent a year. If payments are delinquent or if loans are refinanced, actual rates mount beyond that.

Other banks make even higher charges for part or all of their personal loans. Here are a few transactions among the many which have come to my attention which illustrate the high interest charges which have crept into banking practice:

A leading bank in California made a charge of \$7.50 on a "loan" of \$50 payable in ten monthly instalments. The simple interest rate is 38.5 percent a year if paid on schedule, and if the loan is refinanced or delinquent it goes still higher.

(Continued on page 114)

GOAL: \$2,000,000

RESULTS: \$3,447,555



Arthur J. Clauter, President of the Illinois Credit Union League, officially starting the day's activities.



The panels were kept busy supplying answers to questions.



Keen interest was shown in the educational and publicity material display.

THE Fourteenth Annual Meeting of the Illinois Credit Union League closed with a bang that was designed to put a scare into Hitler, Benito, and Hirohito. The bang came in the form of a Parade of Checks; a stream of credit union dollars for war bond purchases.

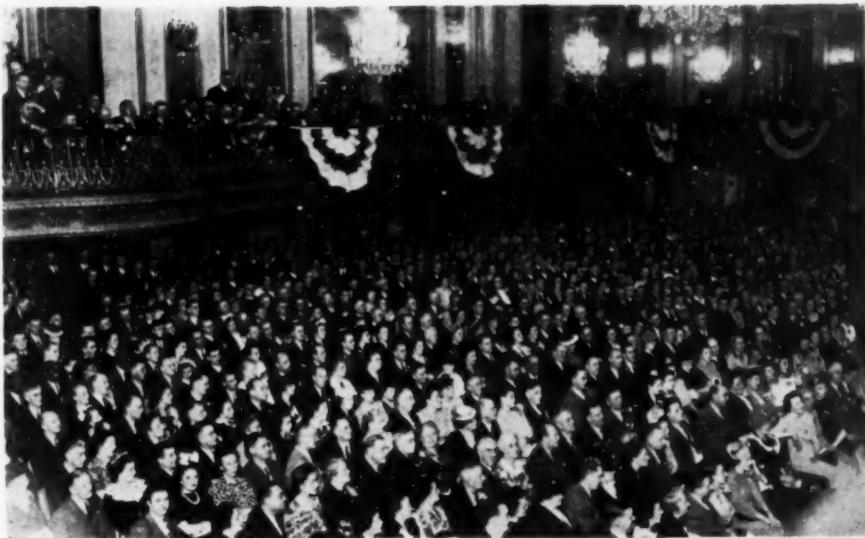
To the tune of stirring organ music, four hundred representatives of credit unions in a long, single file line, brought their credit union's check to the speakers' table. Here John Kelley and Albert Belanger, rapidly totaled the checks on an adding machine. Many of the check-bearers, also carried banners and placards which told in no uncertain terms what the Axis partners could expect.

The Committee which arranged the Parade of Checks, as a means of raising funds for Uncle Sam's War, thought they had set a sufficiently difficult goal of: Two million dollars for six bombers. The parade had barely gotten under way, however, when Art Clauter, President of the Illinois League, announced that the adding machine total was already nearing the two million mark. A few minutes later he leaped on top the table, and,



Roddy McDowell, English boy movie star, urged all to buy more War Bonds.

FOR 6 BOMBERS FOR 10 BOMBERS



Part of the group which totaled 1,950 persons, waiting for the Parade of Checks to begin.

with a bellow that no doubt was heard in Berlin, excitedly held up for all the 1,950 credit unionists in the room to see, a Million Dollar Check which F. B. Bronder of the Hawthorne Credit Union had just turned in. Authoritative sources believe that this is the first credit union "millionaires" check.

The group was still further thrilled when Clauter proudly and loudly told them that the Parade of Checks had produced a grand total of \$3,447,555.25 for United States War Bonds; enough for ten bombers.

A fitting conclusion, indeed, to a full day of credit union activity. The Fourteenth Annual Get-Together started with registration at 8:00 a.m., Saturday, April 10. At nine the three hundred and fifty delegates convened and decided the business phase of the league's operations. The five hundred and two attendants at the noon luncheon heard Claude R. Orchard, Special Assistant to the Board of Directors of the Federal Deposit Insurance Corporation. Three panel groups claimed the attention of delegates and visitors for the rest of the afternoon. One panel presented policies and procedures for Credit Unions during war



Banners and placards identified many of the credit union groups in the long, winding parade.



Earl Pierce, one of Uncle Sam's heroes also urged the buying of more War Bonds.



These warnings to Hitler, et al. were not idle threats; the credit unions backed them with dollars.



F. B. Broder delivers the Hawthorne Credit Union's check for One Million Dollars for War Bonds.

time; another discussed Treasurers' duties and functions; a third did the same for the Supervisory Committee.

In addition to the main speaker, J. L. Kraft, President of Kraft-Phoenix Cheese Company, the banquet was also addressed by the English boy movie star, Roddy McDowell and Earl Pierce, a member of the United States Coast Guard. Roddy McDowell captured the hearts of the group, as he described a bombing of London, while he was there. He urged everyone to do his utmost in the purchasing of more War Bonds. Earl Pierce, in a soft southern drawl, told of his participation in the attacking of Casablanca. He humorously described the fantastic abilities of the jeep. Pierce was wounded in this engagement, and has been decorated for the outstanding part he played. He, too, urged the buying of more War Bonds.

Another highlight of the meeting was the reading of many congratulatory letters and telegrams from many important national figures. Some of them follow:

Mr. Joseph S. DeRamus,
Chicago, Illinois

AMERICANS HAVE ALREADY BOUGHT MILLIONS OF DOLLARS WORTH OF WAR BONDS STOP YOUR ORGANIZATION AND OTHER GROUPS WILL SURPASS THAT WONDERFUL RECORD IN THE NEW WAR BOND DRIVE AS PART OF OUR UNITED EFFORT TO DEFEAT THE AXIS POWERS.

FRANCES PERKINS, Secretary,
U.S. Department of Labor.

Joseph S. DeRamus and Members
of the Illinois Credit Union League

CONGRATULATIONS ON THE SUCCESSFUL TWO MILLION DOLLAR WAR BOND DRIVE IN WHICH YOUR MEMBERSHIP HAS ALREADY PLEDGED TWO MILLION FIVE HUNDRED THOUSAND DOLLARS. THIS DRIVE IS ANOTHER INDICATION OF THE FINE SPIRIT OF COOPERA-

TION THAT CREDIT UNIONS THROUGHOUT THE COUNTRY ARE GIVING TO THE VITAL WAR EFFORT OF RAISING MONEY TO SUPPLY THE SINWS OF WAR TO OUR FIGHTING MEN.

HENRY MORGENTHAU, JR.,
Secretary United States Treasury

Joseph S. DeRamus, Managing Director
Illinois Credit Union League
Chicago, Illinois

ILLINOIS CREDIT UNIONS ARE CERTAINLY TO BE COMMENDED FOR THE EXTRAORDINARY PUBLIC SERVICE THEY ARE RENDERING OUR COMMUNITIES AND THE NATION IN THESE CRITICAL TIMES EVERY GOOD WISH FOR A VERY SUCCESSFUL MEETING.

C. WAYLAND BROOKS,
United States Senator (Illinois)

Joseph S. DeRamus, Managing Director
Illinois Credit Union League
Chicago, Illinois

MAY I TAKE THE OCCASION OF THE ANNUAL MEETING OF THE ILLINOIS CREDIT UNION LEAGUE TO CONVEY MY

CONGRATULATIONS UPON YOUR SUCCESSFUL EFFORT TO RAISE MORE THAN TWO MILLION DOLLARS THROUGH THE SALE OF WAR BONDS FOR THE PURCHASE OF SIX BOMBER PLANES. THIS ACCOMPLISHMENT AND THE PATRIOTIC TASK THAT THE 800 CREDIT UNIONS OF ILLINOIS ARE PERFORMING NOT ONLY IN THE SALE OF WAR BONDS BUT IN THE FIGHT ALL ALONG THE LINE AGAINST INFLATION DESERVES EVERY ENCOURAGEMENT AND COMMENDATION. IN PARTICULAR, I WISH TO SEND THIS MESSAGE, IN WHICH VICE CHAIRMAN RANSOM OF THIS BOARD JOINS, BECAUSE OF THE LOYAL CO-OPERATION UNDER THE TRYING CONDITIONS OF THESE TIMES THAT YOU AND YOUR ASSOCIATES HAVE GIVEN TO THE FEDERAL SYSTEM IN MAKING EFFECTIVE THE REGULATION OF CONSUMER CREDIT.

M. S. ECCLES, Chairman
Board of Governors of the
Federal Reserve System

Joseph S. DeRamus, Managing Director
Illinois Credit Union League
Chicago, Illinois

Dear Mr. DeRamus:

I understand that on Saturday of this week, April 10, there will be an assembling of 1,800 delegates representing 300,000 members in your 800 Illinois credit unions and that at this meeting there will be discussions of the raising by your credit union members of some \$2,500,000 for the purchase of six bombers for the United States armed forces.

I am writing to tell you I doubt if there is a group of people in the whole country who could point to an excellent record in supporting the government financially as can the credit unions. I want especially to congratulate the Illinois Credit Union League for the splendid showing that they have made in this drive and to express

(Continued on page 113)



Over the top, and the end of a perfect day. Credit Unions did it again!

What they say about the movie:

The Credit Union—John Doe's Bank

"I consider the film 'The Credit Union—John Doe's Bank' the best and most effective means of credit union education that the department has yet produced. The photography is excellent and the continuity is effective. The credit union story is told authoritatively and concisely. Congratulations on the production of a splendid contribution to credit union education."

L. A. PINKNEY,
Vice President, CUNA
Chairman, CUNA Educational Committee

★ ★ ★

"The picture, Credit Union—John Doe's Bank tells the Credit Union story so well in so few minutes that in my opinion it should stimulate the growth of our Credit Union movement."

GEORGE GRAHAM,
Kansas National Director

★ ★ ★

"My reaction to 'The Credit Union—John Doe's Bank' can be summed up as follows: I hope that every credit union member and every organization in Missouri that needs credit union service will see the film. It is the greatest expression of the credit union idea released by Cuna in the past year."

LEE J. O'BRIEN,
Managing Director, Missouri Mutual Credit League

★ ★ ★

"While money is not abstract, it is sometimes difficult to explain credit unions to persons entirely unacquainted with the movement. 'The Credit Union—John Doe's Bank' offers a real visual way to explain the formation and functions of a credit union. The photography and color are beautiful, the musical setting is delightful, and the voice is impressive. Delegates to our League convention felt its inspired message. A splendid film, although it moves a trifle slowly at times."

W. O. KNIGHT, JR.,
Managing Director, South Dakota Credit Union League

THE BRIDGE—May, 1943

"The Credit Union—John Doe's Bank" film should be seen by all Credit Union members as, although it is very detailed in some respects, it gives a fine bird's-eye picture of the whole movement and its objectives. Although the film can be used in the promotion of a new credit union, in my opinion it lacks much of the wonderful philosophy on which the movement is based. Also, by covering the whole movement in detail it leaves little to the imagination.

"Realizing the budget limitations under which the film was produced, the vast story to be told and the many purposes for which it will be used, I believe congratulations are in order on the way the subject was handled."

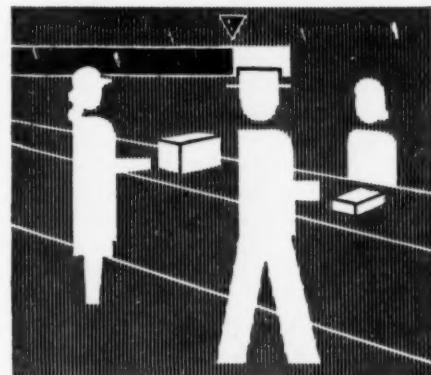
W. R. WILSON,
President Missouri Mutual Credit League

★ ★ ★

"I certainly was well pleased with the film. It gave me a thrill to belong to a movement which could do as much good as was shown in the film. I certainly would recommend it to any group interested at all in credit unions."

JOHN M. MICHENER,
Vice-President Kansas Credit Union League

WOMEN buy 85% of all retailed items.



SOURCE—CONSUMER'S GUIDE

"I think the Credit Union picture is dandy. It pictures in a connected way, the Credit Union history—it is interesting and it is very human. I think it is a fine way in which to put across the Credit Union story to large groups of people. I am happy that our group was able to see it."

A. J. CLAUTER,
President, Illinois Credit Union League

★ ★ ★

"Having seen the picture three times under different settings, it seemed to improve. The first thought I had was that it did not have enough action of the Credit Union members and the work of the committees. Maybe needs to be a bit more homey."

"It appears to me a little in the abstract. But I am in favor of more of them."

ALLAN WOLFE,
Asst. Managing Director Nebraska Credit Union League

★ ★ ★

"The film, 'Credit Union—John Doe's Bank' has been in great demand since its arrival in British Columbia. It was shown the day of its arrival at the League Banquet, and was well received. It was also shown at Prince Rupert, and again at a meeting of my own Credit Union here in Vancouver, and I know that the University is having quite a time to keep the demand supplied, and it has been well received wherever shown."

"Personally, I like the film very much, but think that perhaps some of the workings of the Credit Union could have been elaborated a little more. A scene where the Treasurer is able to tell the widow that there is no more owing on the loan, and advising her that the savings of the deceased had been increased by the insurance."

"Candidly, the film is good, especially for a first attempt, and let us hope that we can produce more and better films."

H. G. POCOCK,
Executive Secretary British Columbia Credit Union League

Spring Operations

By Roy F. Bergengren

MAY! A little green grass here and there. Robins foraging for worms; buds on the trees and a touch of spring fever. Well do I remember that just about now, when I was a boy, no matter how I felt, my mother began to feed me sulphur and molasses; sulphur to pep me up—molasses to kid me into a very reluctant willingness to take the sulphur.

At the office of the Credit Union National Association, May 1st always means just one thing: the national meetings are just around the very next corner. This year they start with meetings of the Executive Committee on May 12 and 13 at Chicago; then we make a dash for the annual meeting of the CUNA Mutual at Madison and back the same night for the annual meeting of the National Board, which starts at the Sherman Hotel in Chicago, on the 15th and ends on the evening of the 16th. On the same day the CUNA Mutual is meeting in Madison, the 14th, the CUNA Supply is meeting in Chicago. A dual personality, a capacity to be in two places at once. Seven league boots would then be indeed a help.

These meetings involve preparation; at least six reports, reservations, decorations, programs and all the while the worried contemplation of the inevitable things which will be forgotten and the unexpected problems which, unforeseen at the moment, will be all-important long before the meeting is over.

This year there will probably be fifty leagues represented at the meeting, as we have just received an application from the Saskatchewan Federation of credit unions; the fifth from Canada.

And we shall have problems. We are not half way through the war without the scars of battle. Regulation W has just about cut the normal business of the average credit union in half. That means a loss of thirty-six million dollars of coverage thus far by the CUNA Mutual. It means that the business of the CUNA Supply has been reduced about 37%. The earnings of most credit unions are now at a new, unbelievable low. Everyone and his cousin is overloaded with work. Our personnel flock to the armed forces. Liquidations increase

and the organization of new credit unions comes almost to a standstill.

All that's fine except the unnecessary falling off of organization of new credit unions. Just as each and every one of us is now being called upon to make new and greater personal sacrifices for our country day by day—and like it—so institutions must suffer that they may carry their share of the common load. Materially we are badly off; spiritually we are better off than we have been for generations. We know now that country comes first. To serve is the greatest current joy; not to serve, is sin. We all know it and there will be exaltation in our meetings unless I miss my guess.

The other evening, at the annual meeting of the Illinois Credit Union

MISSOURI FIRST IN '43

To Missouri goes the honor of being the first league to pay in full its 1943-44 Cuna dues. Managing Director Lee J. O'Brien presented a check for \$5500 to T. W. Doig, Cuna Assistant Managing Director during the league's annual meeting, held April 10, at Kansas City, Missouri.

League, there was a parade of checks—to raise two million dollars for six bombers. Did you know how it came out? The parade produced three and a half million credit union dollars. There was one check for an even million dollars! Think of it. We haven't been at this credit union business so very long. I can remember organizing the first Illinois credit union and now just one credit union in Chicago steps up in a credit union meeting and modestly places a million credit union dollars on the altar of our country.

I have been to many meetings in recent months. The attendance hasn't been as large as usual; gas rationing accounts for that. But has anyone been down-hearted? Not so you would notice it. There has been a spirit, a spiritual awakening, something to give hope that this ideal of human service, the credit union, has eternal life. Hitler has tried to destroy it but it is my guess that in every nation of Europe, when the great retreat comes and Hitler starts on his long, long trek to that place reserved for very bad men; the credit unions will be the first agencies of

service to revive under the new spirit of freedom.

I had lunch with the treasurer of a big credit union the other day and he wanted to know what to do with his money. I told him about one credit union at East Hartford, Connecticut, which supplied its members with an even three quarters of a million dollars to take care of their first quarter income taxes. I asked him how many of his members wanted to build homes after the war when there will be new and fascinating ways of building low cost houses. I suggested they should all be buying their land now through credit union loans. He thought I was fooling when I suggested a survey to see how many members owned burial lots. Filene was always telling me that one day the credit unions must help their members bury their dead without impoverishing the family.

The ingenious credit union is making loans. The credit union management which accepts the war as an alibi is doing little. One managing director organized more credit unions last year than were organized in three states, each of larger population and each well equipped with personnel. When we falter, it is a state of mind. Soldiers don't falter. They advance. They know that wars are not won in fox holes.

We show signs of battle but there are: (1) more credit unions now than there were a year ago (2) the CUNA Mutual has greater assets and surplus than a year ago and serves more credit unions (3) the CUNA Supply has seen the hardest kind of fighting and still has assets of \$40,000 (4) The CUNA Bonding business expands and most important of all, (5) credit unions have moved more than a hundred million dollars in war bond sales.

So we might send a message to Hitler: "Adolph," we would wire him, "you think you have destroyed the credit union but you can no more destroy the credit union than you can obliterate democracy; because the United States of America and cooperative credit in the United States of America are too strong for you. We'll be seeing you, Adolph—in Berlin!"

North Dakota Schools To Study Co-ops

North Dakota has enacted a law to provide that a course of instruction in cooperatives, including their business methods, history, principles, organization and operation shall be taught in teachers' colleges of the state of North Dakota and in the teachers' college at the University of the State of North Dakota.

Poll Reveals Bookmatches Bring Results

IT is important that the credit union should be frequently brought to the attention of the member. This is so because it will usually result in the member being better acquainted with the services obtainable from his credit union, and thus more likely to use them.

The world no longer beats a path to your door, just because you build a better mousetrap. You must tell the world about your better mousetrap.

This is only too true insofar as the credit union and the member are concerned. Of course there are exceptions but the credit union that is doing an increasingly better job for its members, frequently contacts them by one means or another.

There are many ways this contacting can be done. Sometimes one means or method will do the trick; sometimes another. In some groups a particular means or method will produce entirely satisfactory results; yet in other groups this same means or method will be an unbelievable disappointment.

The important thing is to frequently and regularly contact the members.

The officers of each credit union, since they know their group perhaps better than any one else, can without spending too much time or effort decide what means and methods to use.

One method of contacting members, that is increasing in use and popularity among credit unions is the bookmatch. Many other credit unions are considering whether or not they should use bookmatches. Will the credit union receive enough benefit to justify the expense which after all is no small item? No doubt some credit unions are wondering what experience other credit unions have had with bookmatches.

THE BRIDGE has tried to find the an-



There are twenty lights in a packet of bookmatches. Every time a member lights up, the credit union message is brought home.

swers to these questions, in a recent survey it made of credit union bookmatch users. It sent a questionnaire asking the following questions to credit unions that have recently purchased bookmatches.

1. How have you distributed your bookmatches? In the credit union office?—In neighboring stores and restaurants?—Elsewhere?
2. What have you hoped to accomplish with them? Interest members?—Get new members?—Create loan demand?—Encourage saving?—
3. Have you tried to watch the effect of your bookmatch advertising?
4. What results has this advertising produced?
5. Do you plan to continue using bookmatches?
6. Do you plan any changes in the way you have used them?

Thirty-one replies were received. In answer to question number one eighteen credit unions stated they had distributed the matchbook through the credit union office. Four distributed them by using neighboring stores and restaurants. Twenty-three had distributed them elsewhere, as follows:

- 8 had distributed them to all employees, whether credit union members or not.
- 7 had distributed them through employee cafeterias and canteens.
- 3 had distributed them through cigarette machines in plant.
- 3 had distributed them at employee meetings.
- 2 had distributed them in employee staff and recreation rooms.
- 1 had distributed them to all credit union members.

(Continued on page 114)

WHAT ABOUT IT?

By Tom Doig

Loans or Bonds

Question: Our credit union has limited funds. Is it more important to buy government bonds than to provide a source of credit to the credit union's members?

Answer: Your credit union is in a very fortunate position. Most credit unions today have surpluses. It is the purpose of the credit union to provide a source of credit for its members. Therefore, the funds invested in the credit union should be used first to satisfy the credit needs of the members. Surpluses should be invested in Series F bonds.

Income Tax Loans

Question: A member of our credit union has a large loan from the credit union. He now needs money to meet his income tax payments. Should our credit union make more than one loan to this member under these circumstances?

Answer: Most credit union laws, including the Federal Act, permit credit unions to have more than one loan outstanding to one member at one time. This is true of the Louisiana Credit Union Act. I would therefore suggest that if it is more convenient for your credit union to make a second loan or third loan to a member than to consolidate the new advance with an existing loan, then the second or third loan should be made.

Compulsory Payroll Deductions for War Bonds

Question: The members of our credit union are required to put ten per cent of their income into War Bonds. Some of these members have obligations which are greater than their incomes. How can our credit union be of service to these people?

Answer: First, it is only right to say that neither by Executive Order nor by Act of Congress have employers been requested to make compulsory deductions from an employee's pay for the purchase of War Bonds. In fact much stress has been placed upon the thought that these deductions should be voluntarily authorized. When the financial obligations of the employee are so great that he can not afford a ten per cent deduction for War Bonds, he should lay all the facts before the employer and request that the deduction be discontinued. The credit union officers might go over the affairs of this individual carefully and

All of the questions listed here were submitted by credit unions at the discussion meeting held preliminary to the meeting of the Louisiana Credit Union League at New Orleans on Saturday, March 27.

I believe they could find some means of extending loans which would enable the member to carry on during the emergency.

Loans to Dependents of Men in Military Service

Question: One of our members has been inducted into the army and has an outstanding loan on which a moratorium has been declared and on which the interest has been waived for the duration. Now his wife, also a member of our credit union by reason of being next of kin although not an employee, finds herself in need of money and has applied to the credit union for a loan. Should such a loan be granted?

Answer: Yes. The wife of any man in the military service does have an independent income from the government, which income would be continued even though her husband might be killed in action. Therefore, legally a loan may be granted to her. Certainly it is the business of credit unions to endeavor to aid the dependents of those of our members who are in military service.

Loans to Those Eligible for Induction

Question: One of our members expects to be inducted within three months and is in need of money. Should our credit union grant a loan to this man?

Answer: If the loan is desired for a worthy purpose certainly it should not be denied to your member simply because there is a possibility that he will enter the armed forces. Such loans should be granted.

Restricted Service

Question: Due to the fact that our credit union conducts its business only on certain days each month it has been found that some of our members go to high rate lenders because this is more convenient. What can we do to correct this situation?

Answer: Convenience is one of the greatest services the credit union has to offer its members. The business

of hours of the credit union should be suited to the working conditions of the members. I would suggest that your credit union be open for business more days each week and longer hours each day, but particularly that you make sure it is open at times which will be convenient. This really suggests a much broader question. We have all heard a great deal about absenteeism and yet much of absenteeism has been caused by the fact that business institutions have not adjusted their business hours to the working hours of the people. If a man and his wife are both working and they have children to take care of, it is necessary for one of them to have time during which to carry on certain business transactions necessary to the wellbeing of the household. If local business institutions have not adjusted their hours to meet this condition, absenteeism becomes absolutely unavoidable. Let's be sure that all credit unions do make the necessary adjustment.

Dividends

Question: Should dividends be paid to inductees that have a share and loan balance in the credit union?

Answer: All credit union laws provide that dividends should be paid on all fully paid shares. Therefore if a dividend is declared it must be paid to all members alike even though one such member might have a loan and be in the military service be exempted from paying interest on the loan.

Excess Funds

Question: Our credit union has excess funds. Should we ask our shareholders to withdraw part of their savings so as to reduce this surplus?

Answer: No. The first purpose of the credit union is to promote thrift. Your credit union should go on promoting thrift even though the money can be utilized only in the purchase of war bonds. No member should ever be asked to reduce his shareholdings. Nor should he be limited in the amount he can save each week or month. This may result in a reduction of the dividend paid but the dividend is not important. It is important that we promote thrift.

Loan Protection Insurance for Those in Military Service

Question: On our monthly report to the CUNA Mutual Insurance Soci-

ety, the question is asked: Number of Loans More Than One Month Past Due. If we have declared a moratorium on a loan to one of our members in the military service, how does this affect the insurance? If this man should meet with misfortune or be killed in action, will the loan be covered by the insurance company?

Answer: Most credit unions now insure all loans and pay to the CUNA Mutual Insurance Society a monthly premium on all outstanding balances. If a moratorium has been declared on a loan, then that loan is not past due. If premiums are paid every month on the credit union's entire outstanding loan balance, including those loans to men in the military service, then in case of death or disability the CUNA Mutual Insurance Society will pay the unpaid balance of the loan. There are no war clauses in the contracts of the CUNA Mutual Insurance Society.

Members of Immediate Family

Question: The by-laws of our credit union provide that membership shall be open to "members of the immediate families" of employees. Who is considered as being a member of the immediate family?

Answer: The following are considered members of the immediate family provided they occupy the same household as the member: husband or wife, grandparents, parents, brothers or sisters, children or grandchildren.

New Credit Unions in March

Thirty-three new credit unions have been reported chartered in the United States and Canada during March. By states: Alabama, 1; Colorado, 1; Delaware, 1; Illinois, 1; Indiana, 2; Louisiana, 2; Minnesota, 1; Missouri, 2; North Carolina, 3; Ohio, 2; Oklahoma, 1; Pennsylvania, 5; Tennessee, 1; Texas, 1; Vermont, 1; Virginia, 1; Wisconsin, 2; and Ontario, 5.

We Too Would Like To Know

M. H. Widerman, Treasurer of Rosenthal's Employees Credit Union of Baltimore, Maryland, in a recent communication to THE BRIDGE said, "Rosenthal's Employees Credit Union has 100 per cent employee membership. Do you know any other?"

Frankly, we don't. How does your credit union compare? THE BRIDGE would like to know.

Giles in Army

Richard Giles, Associate Editor of THE BRIDGE since July, 1941, recently reported for service with the U. S. Army at Fort Sheridan, Illinois.

What One Credit Union Is Doing On The Home Front

On April 8, thirty members of the J. & O. Employees Credit Union, of Chicago, Illinois went in a group, to an American Red Cross Blood Donor Station, and gave their blood to the Blood Plasma Bank. It is believed that this is the first time that activity of this nature was sponsored by a credit union.

This is only one of the many things the membership of this credit union is doing, to help win the war. Forty-five members are in the armed forces. The J. & O. Employees Credit Union has kept in constant touch with each one; sending each a package and newsletter monthly. Over 200 letters have been received from members stationed all over the world. The news from these letters is incorporated in the eight page newsletter.

The packages consist of many articles selected for their usefulness such as: razor blades, shaving cream, tooth brushes, soap, hair brushes, shoe polish, canned foods, gum, cookies and candies. All of the items for the boxes are purchased by funds raised by semi-monthly voluntary contributions of the members.

Each newly married service man and his bride receive a gift.

An especially designed birthday card is sent to each service man. Photographs of their buddies in the plant are included with either the newsletter or package. Every month special box tops are made showing an

Honor Roll List. This keeps the boys informed as to new inductions. Special boxes are sent for New Years, St. Valentine's Day, Thanksgiving and Christmas.

The parents of the members are contacted when the Credit Union Committee receives letters from those in distant places.

In a further effort to bring victory and peace closer, the credit union has invested \$10,000 in War Bonds.

The J. & O. Employees Credit Union was organized in August, 1934. At the end of its first month it had forty-five members, \$893 of shares and \$715 in outstanding loans. Today, assets exceed \$25,000. Since 1934 \$250,000 has been loaned. At present 92% of its potential group are members. Notwithstanding a liberal lending policy, only 25 cents has been charged off. Although Regulation W reduced the credit union's service, the Directors have adhered to good credit union practice, and have made every effort they could to induce members to be thrifty and save for the purchase of War Bonds and taxes.

It was the influence of the credit union that brought the benefits of a hospitalization plan to persons in the group served by the credit union.

The treasurer of J. & O. Employees Credit Union is C. L. Mills. He is also a director of the Illinois Credit Union League.



Some of the thirty members of the J. & O. Employees Credit Union, who recently gave their blood to the American Red Cross Blood Plasma Bank.

THE A.M.A. CASE

A cause celebre in the annals of medical freedom and the public service. The parts played by doctors and patients, lawyers and judges. The reaction since in the press and in the profession. What it settled and the lines drawn ahead—reviewed by the chairman of the Committee on Research in Medical Economics.

IN Mid-January, the United States Supreme Court affirmed the conviction of the American Medical Association and the District of Columbia Medical Society for violating the Sherman Anti-Trust Act. Since then, the decision has been greeted by a chorus of diverse opinions from all parts of the country. "Supreme Court Ends Rule of Medical Die-Hards" gloated the *Philadelphia Record*:

The unanimous opinion written by Justice Roberts will encourage other groups who want to get more and better service at lower cost. It will encourage, too, the participation of physicians in such groups. . . . The Court's decision, we believe, will be approved by all progressive doctors.

But the *Los Angeles Times* feared that the . . .

. . . effects of the American Medical Association decision may be regrettable to many people. It (the decision) may seem to be founded on a fundamental misconception—that the practice of medicine is a business or trade. . . . There is some reason to suspect, however, that the suit was genuinely inspired by the desire of New Dealers to socialize medicine and regiment it under government control, a desire which the AMA has unfalteringly opposed.

When a Supreme Court decision, the culmination of an indictment handed down four years earlier, thus becomes a football in the daily press, the case has more than technical significance.

To gauge what it may come to mean in the years ahead we must have its history in mind. The story began in 1937, when several hundred employees of the Federal Home Owners' Loan Corporation living in Washington formed a nonprofit cooperative organization—The Group Health Association. They obtained a grant of \$40,000 from the HOLC, equipped a clinic, engaged doctors, assessed themselves monthly prepayments, got medical care and hospitalization for their members and families, and looked for more members in other federal agencies.

The country was not yet out of the depression. Doctors' bills seemed worryingly high, doctors' incomes were painfully low. The Group Health Association was by no means the first of its kind. Similar cooperative medi-

By Michael M. Davis

Reprinted from Survey Graphic

cal ventures in California, Illinois, Wisconsin, Texas, Oklahoma, and elsewhere had gotten under way—and into trouble with local, state, and national medical societies.

The Contest of the Doctors

So it was in Washington. For more than a year, the newspapers of the capital reported skirmishes and alarms. The legality of the association was assailed by the AMA and the District of Columbia Medical Society. It was improperly engaged in the insurance business and in "the corporate practice of medicine," they declared; but a local court upheld its legal position. Then came direct action. The association's doctors were refused admission to the medical society or were expelled from membership. They were refused opportunity to treat association patients in local hospitals. Stories of sick people denied treatment, consultation, or operation appeared in the press. Washington, with its vast congregation of federal employees, took sides overwhelmingly with the medical cooperators. Some of the participating doctors resigned from Group Health but most stood by. Membership grew, public pressure to make local hospitals change their policy seemed to be mounting, and then, late in 1938, the news broke that Thurman Arnold of the Department of Justice had brought a criminal suit under the Sherman Anti-Trust Act against the American Medical Association, the District of Columbia Medical Society, two other local medical societies, and eighteen individual doctors prominent in one or more of these organizations.

The Contest of the Lawyers

Promptly began a legal campaign to quash the indictment. A battery of medical society lawyers urged that medicine is not a trade and therefore not within the scope of the anti-trust laws which penalize certain "restraints of trade." The District of Columbia Federal Court upheld this contention. The Department of Justice appealed, saying:

The issue suggested by the reason-

ing of the trial court, whether medicine is a "trade" or a "profession," we submit, is false. Of course medical practice is a profession. But medicine also has its economic side which is concerned with the marketing of professional services. It is that aspect of medical service with which we are here concerned, not with the professional aspects.

The United States Court of Appeals reversed the decision of the lower Court, the indictment was held to be valid, and the case ordered back to trial in the District Federal Court. In the spring of 1941, the jury's verdict ran against the AMA and the District Society, and Justice Proctor fined them \$2,500 and \$1,500 respectively.

What were the questions of fact on which the jury had to pass? The indictment declared that the District of Columbia Medical Society, with the intimate counsel and advice of the American Medical Association, has conspired—

(a) by boycott and otherwise to prevent Group Health Association from carrying on its lawful activities of providing medical care to its members; (b) to prevent individual members from obtaining needed care; (c) to coerce licensed physicians on the staff of Group Health Association to leave the staff and otherwise to restrain them in the pursuit of their profession; (d) to prevent other doctors from joining the staff or from consulting with staff doctors; (e) to coerce Washington hospitals to exclude association doctors from staff privileges in these institutions.

What was the defense? The attorneys for the medical societies . . . described the scientific attainments of American medicine and its great practical contributions to the health of the American people; attributed these accomplishments largely to the efforts of the American Medical Association and its subsidiary organizations; declared that Group Health Association was economically unsound and was established on a basis that would prevent satisfactory medical service being rendered to its subscribers; and that such efforts as had been made to check Group Health Association had been properly undertaken in the interest of the health and

welfare of the public.

In charging the jury, Justice Proctor defined the issue:

The respective merits of differing methods of medical care are not an issue in this case. Advocates and adherents of each are entitled to their views and may follow their choice. They had the right to support the same by fair competition and to oppose by way of discussion, argument and persuasion. But neither group would be justified in conspiring to restrain the activities of the other.

Since the conviction, over a year and a half has been consumed in appeals. First, last June, came the unanimous opinion of the United States Court of Appeals for the District of Columbia which declared that "the case was tried carefully and fairly; the jury was properly instructed; and the evidence was adequate to support the verdicts."

The Contest of the Editors

The Supreme Court's confirmation of this opinion at the turn of the year ended the long battle of the lawyers. The appeals dealt with legal issues only. Two years had elapsed since the facts of medical society behavior had been ventilated before the jury. As result, most of the wide-ranging newspaper comments—I have nearly a hundred editorials at hand—feature legal and political implications.

In their appeal to the Supreme Court, the medical society lawyers had protested that since medicine is not a trade, it could not be indicted for restraint of trade under the Sherman act. Simultaneously they had claimed that the medical societies were immune from prosecution because of the laws which exempt trade unions. The Supreme Court gave these ambidextrous legalists satisfaction neither on the right hand nor on the left. The Court deemed the abstract question, whether medicine is a trade, to be insufficiently relevant to this case to warrant the expression of an opinion; and the Court flatly declared that medical societies could in no sense be regarded as unions.

The *Philadelphia Inquirer* and *Public Ledger* and other dailies took this as an occasion to bemoan "Our One-Sided Anti-Trust Laws," while the *Chicago News* emitted the following Westbrook Peglerism:

All the AMA need do to "get out from under" the Sherman act is to apply for a charter in a labor federation . . . If the AMA has any dislike for the CIO or the AFL it can get a charter from Matt Smith's Confederated Unions, which has some executive-professional constituents al-

ready, such as railroad yard masters . . . Or any good lawyer could rig up a new charter for AMA on union lines.

From the other side of the fence spoke up the Madison (Wis.) *Capital-Times*, urging "organized medicine . . . to divest itself of reactionary leadership which has promoted such policies with little consideration for the opinions of the rank and file membership."

"The Fight Was Over Anyway," said the Manchester (Conn.) *Herald* and other papers. Since 1938, many medical societies have endorsed health insurance in principle, some have initiated health insurance plans, and "that's the general view now, as the Supreme Court finally renders its verdict on actions inspired by more alarmist sentiments back in 1938."

Today (writes the Asheville (N.C.) *Times*), there is more need for the extension of medical care and treatment by these methods than ever before, because of the smaller number of doctors left at home after the nation's war has taken its necessary quota. And it is therefore more necessary than before for the doctors themselves to accept group medicine and direct it into the channels it should follow for its most wholesome and most helpful development.

"The future," says the *Boston Globe*, "will reveal the abilities of various cooperatives in making use of the opportunity now opened to them by the ultimate interpreters of the federal law."

Numerous other editors take this lead; but another large group have fears for the future. Thus a syndicated editorial appeared in several midwestern papers under the title "Revolution Touches Everybody." This declared "that unanimity of high judicial opinion will spell to the medical profession just one thing—the horrid inevitability of 'state medicine.'" Nonetheless it advised spokesmen for the medical fraternity that "if they are reasonable men they must realize that they cannot expect to be untouched by the social revolution which completely has changed our way of living—and our ways of making a living."

A third group of newspaper editorials reflect professional rather than political issues. Can medical societies hereafter maintain and enforce codes of ethics for the protection of standards of service? The Charlotte (N.C.) *News* and other papers raise this question with anxiety. Will hospitals be able to appoint and control their medical staffs without outside "interference"? The *Baltimore Sun* is fearful for the hospitals.

The Contest of the Medical Journals

What will be the effect of "The AMA Case" on the front of the medical profession? During the four years that the case has been winding through the Courts, the tenor of editorials in medical journals has commonly been resentment against the government for prosecuting medicine as a "trade." As a matter of fact, the Department of Justice did not do this, but these expressions have persisted.

This resentment has not merely sprouted. It has been dutifully cultivated by a type of leadership that often controls medical societies and their official journals. Most state medical societies are governed by urban specialists, middle-aged or elderly, strongly anti-New Deal. They have utilized this cause celebre to stiffen the resistance of organized medicine against governmental action and other "outside" attacks. The New York County Medical Journal has discounted the Supreme Court decision because "in recent years socio-economic attitudes have been permitted to influence interpretation of the law."

In the main, however, the pronouncement of the Supreme Court has been sobering. "We have no comment on the decision," says the Indiana State



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Medical Journal of February. "That matter will be taken care of by the AMA. The fact is clear, however, that from now on we know our limitations in certain fields." In contrast the Kentucky Medical Journal speaks out in this way:

No American physician need be ashamed of the opposition of organized medicine to the methods, plans, and procedures of the Group Health Association. It is important, however, that we learn from this that our opposition to the type of group medicine herein exemplified should not again be handled as ineptly as in this case . . . Those who represented organized medicine actively in what is now defined as a conspiracy used devious ways and unjustifiable methods in their procedure . . .

We certainly can be congratulated that the Supreme Court decided that organized medicine is not a trade union and we feel very definitely that our attorneys should apologize to the medical profession for having claimed that we do constitute a trade union.

We should continue to fight legislatures and before the supreme court of public opinion for those principles which make of the practice of medicine the most honorable calling amongst men . . . This decision should intensify tenfold the opposition of the profession to any form of regimentation of medical service. It should also close the ranks of the profession so that we are united in our opposition to any form of controlled medical care, whether by government, corporation, or by mutual societies . . . It is essential that we reform that element of our profession who are attempting to reduce it to commercialism.

The Journal of the South Carolina Medical Association takes a wholly different line:

It may be that the attitude of the rejuvenated Supreme Court points more practically and no less ethically towards the solution of present day medical problems than does the negative stand of the ultraconservative policy-making body of the American Medical Association.

Group Health Association, Inc., is one of the rapidly growing number of agencies which have sprung up in response to a nationwide feeling which found expression in the principles of the New Deal and more particularly in the Social Security Act. It is no longer legal to attempt to hamper their development as the American Medical Association has just done.

For a long time it has appeared unwise to many physicians to regard these organizations as step-children of the medical profession. They need

regulation by some competent scientific body to insure the public that they are rendering the type of medical service it ought to have. There is only one such supervising body which can do the work in satisfactory manner; that is the American Medical Association. This organization has done it for hospitals and for medical colleges with most commendable results in maintaining standards of hospital care and medical education. If it fails to meet the challenge implicit in the Supreme Court decision, it will lose the confidence not only of governmental agencies but that of a large group of its members who have looked askance at its faltering steps to keep in line with newer ventures in medical economics.

Thus far, The Journal of the American Medical Association has itself reserved comment, merely printing the decision. The association may have shown its hand last autumn, however, when its new political arm—The National Physicians' Committee for the Extension of Medical Service, Inc.—sent a questionnaire to all candidates for Congress. This asked, among other questions:

Do you favor the enactment of legislation which will provide for physicians as a professional group a definite status and the obligation to maintain standards designed to protect the public in matters pertaining to health?

Do you favor entrusting to the medical profession the responsibility for preserving, extending, and further improving our system of medical service in the United States?

These inquiries may forecast bills in Congress to expand the legal authority of organized medicine not only over professional standards but over new plans for furnishing medical care. There has been recent precedent for such action in several states. In Ohio and New Jersey, for example, laws passed on the plea of the state medical societies place the governing boards of new health insurance plans under the control of these societies. Furthermore, no such plans can operate in any county of the state without approval by a majority of the local profession. During more than two years since the passage of the Ohio law, inertia and dissension within the state and local medical societies have prevented the establishment of any plan of the sort. The results in four other states have thus far been incon siderable. In seeking power through legislation, organized medicine may

do well to remember that with power goes responsibility; and that making good on the responsibility is the price of retaining the power.

The Contest of the Patients

Meantime, in its legal effect, the Supreme Court decision is not so much a green light to cooperative health insurance plans as the Philadelphia Record and the Boston Globe suggest. The indictment was brought under a very specialized statute, the Sherman Anti-Trust Act, applying only to interstate commerce. Under this act, the federal courts have direct jurisdiction only in the District of Columbia. In any other part of the Union, indictment under the Sherman act could be brought only if some interstate action were proved; for example, if the American Medical Association, operating from Chicago, could be shown to have conspired with a state or local medical society outside of Illinois in boycotting a new health insurance plan.

The legal scope of the decision is therefore limited. The other way round, organized medicine would gain little if Congress, as some medical spokesmen propose, should pass legislation removing professional societies from the jurisdiction of the anti-trust laws. The AMA Case is thus a signpost rather than a traffic light. Its moral effect far outweighs its legal significance. It has gained national publicity for the idea that people may organize to prepay their sickness bills and to arrange with doctors and hospitals of their own choosing to provide them with services. Moreover, it has reduced the prestige of the AMA leadership and has encouraged progressive doctors.

The fear that the case restricts professional societies in maintaining standards is merely a bogey. Justice Proctor, backed up by the District Court of Appeals, made clear that the only prohibition imposed was against strong-arm measures in enforcing standards, instead of "legitimate persuasion and reasoned argument." Responsible physicians do not want the right to boycott and coerce. They would agree with what Huxley said long ago, "The only freedom I care about is the freedom to do right; the freedom to do wrong I am ready to part with on the cheapest terms to anyone who will take it of me." They must be on guard lest the subtler methods of coercion suggested in the Kentucky journal be employed by medical politicians and the profession suffer further discredit when this behavior is brought to light.

The Outlook Now

The AMA case has dramatized the insurance principle applied to sickness. The fight may not be "over anyway," but it has reached an altogether new

stage. Since 1937, non-profit hospital insurance plans have grown to cover eleven million people. A dozen or more state medical societies officially approve insurance plans for physicians' services. The American Medical Association accepts them. The issue ahead is not whether we shall have health insurance, but how it shall be organized so as to supply good medical service economically, how far up and down in the income scale it shall be applied; and perhaps above all, how it shall be controlled.

The AMA itself now expects the growth of health insurance; wants to keep the government out of it; wants to keep itself or its state societies in control of it. Physicians should, of course, prescribe professional standards and control professional procedures of service. But patients and the public are directly concerned with the conditions and costs of service. The AMA Case has taught the lesson that profession and public have little to gain by contest and much by participation.

Even during the recent years in which organized medicine has been coming to accept the health insurance principle, it has continued to fight health insurance plans whenever they have involved group medical practice instead of individual practice. It has fought them whenever they have introduced public control or any considerable public participation in control. And here a most important long-range issue has been brought forward by the AMA Case.

Ten years ago, seventeen physicians and eighteen laymen of the Committee on the Costs of Medical Care united in recommending that medical service in the United States should be organized as group practice and be supported by group payment. The group payment principle has almost ceased to be controversial; the group practice issue remains very much so.

In 1937, a Report by the American Foundation showed that many distinguished physicians believed that only by extending the group organization of medical service, centered in hospitals and clinics, can the best facilities be made available with maximum economy to both physicians and patients. The AMA Case has done something to promote understanding of this issue among laymen. The wartime shortage of doctors is also directing attention to organized action for medical care. Labor unions, employers, and rural groups are more concerned with medical service and hospitalization than ever before.

The AMA Case has also sharpened opposition. As some of the editorials

reveal, it has stimulated those who would block new plans of medical service by political name-calling. That is what Dr. Morris Fishbein, editor of the AMA Journal, did in 1932, when he tried to stultify the Report of the Committee on the Costs of Medical Care, headed by Dr. Ray Lyman Wilbur, president of Leland Stanford University. He called it "Socialism and Communism, inciting to revolution."

Since then, the advance of medical and lay opinion regarding group practice, and the advance of action as well as opinion regarding health insurance might fairly be described as revolutionary—but not under Dr. Fishbein's labels.

Health service in America is on the march, its pace accelerated by the war. Its path runs through a jungle of economic, professional, and political issues, which the AMA Case has helped a few millions of laymen and a few thousands of physicians to understand.

Goal: \$2,000,000

Results: \$3,447,555

(Continued from page 104)

the wish that all the world could know in more detail of this fine work.

Sincerely yours,

**JERRY VOORHIS,
U.S. Congressman (California)**

Mr. Joseph S. DeRamus,
Illinois Credit Union League
Chicago, Illinois

Dear Mr. DeRamus:

May I take this opportunity to thank you and your associates for the splendid work which you have done in the sale and purchase of War Bonds.

The Second War Loan Drive will start April 12, and we need the assistance of every individual and association in order to make this drive a success. It is my understanding that approximately 1,800 delegates from 800 Illinois credit unions representing 300,000 members in the State will meet in Chicago next Saturday night, April 10. I wish you would convey to these delegates the appreciation of the Federal Reserve Bank of Chicago of this whole-hearted cooperation on the part of the Illinois League and urge each member to do his utmost not only in the purchase of bonds himself but to urge others to buy them. There are many reasons why we should all buy bonds, two of which are—

It is the simplest expression of patriotism for those who stay at home.

It is an investment second to none

in the war and an investment in freedom and liberty.

Sincerely yours,

**C. S. YOUNG, President,
Federal Reserve Bank of Chicago.**

Mr. Joseph S. DeRamus,
Illinois Credit Union League
Chicago, Illinois

Dear Mr. DeRamus:

The Illinois Credit Union League and its officers are to be commended for their splendid achievement in securing pledges for the purchase of war bonds in an amount more than sufficient to pay for six bombers.

I have been informed that this was your goal and that it was reached and passed a full week before the date of the annual meeting of the League. I sincerely trust that by the time you receive this letter you will have exceeded by far the amount which originally was set.

Preliminary figures as of December 31, 1942, indicate that Federal credit unions very soon will have sold to members and purchased for their own account war bonds in an amount equal to their total assets. There is reason to believe that credit unions organized under State laws have also served well. All credit unions, Federal and State, have reason to be proud of the record they have made in the distribution of war bonds and war savings stamps.

Very truly yours,

**LEO T. CROWLEY, Chairman,
Federal Deposit Insurance
Corporation**

In The Press

"To The Loan Shark Or To The Credit Union?" is the title of an article which appeared in the April issue of *The School Executive*. It was written by Wallace M. Evans, Treasurer of Scott County Teachers Association Credit Union, Davenport, Iowa.

Evans cites facts to show the need for teacher credit unions, and how credit unions adequately take care of the need.

The Journal of Educational Sociology, published by The Payne Educational Sociology Foundation, Inc., April issue carries an article by J. Orrin Shipe on the subject "Credit Unions Mold Character."

"Humble Credit Unions At War" tells of the wartime activities of the nine Humble Employees Federal Credit Unions located in Texas. The article appeared in the April issue of *The Humble Sales Lubricator*, a monthly publication of the Humble Oil and Refining Company.

Why Not Candor In Small Bank Loans

(Continued from page 101)

A bank in Wilkes Barre, Pennsylvania, lent \$100 in exchange for a note for \$114 payable in twelve monthly instalments. In addition to an interest discount of \$6.93, there was an investigation fee of \$2, a bank service fee of \$2.78, and "insurance charges" of \$2.29. The true interest rate would be 25.8 percent a year if the loan was paid on schedule. If renewed at the end of five months, even if there were no fines and a full rebate of unearned interest were given, the rate would exceed 30 percent a year.

A bank in Washington, D. C., discounts interest at 7.5 percent, charges an investigation fee of \$2, and a 3 percent credit-insurance fee in lieu of endorsers. Its real interest rate on a \$100 loan is 26.4 percent a year, if paid on schedule. In order to estimate what the rates would be in practice, I have applied this bank's charges to a typical loan transaction involving small prepayments, minor delinquencies, and a renewal after the loan had run for six and a half months. The resulting rate of charge is 2.8 percent a month or 33.6 percent a year, even if a full rebate of the unearned discount is given.

It will be asked: How can banks get such charges? What about the usury laws? The answer lies in the fact that severe penalties for usury do not apply to banks in most jurisdictions. Penalties for usury have been moderated so far as banks are concerned in order to prevent depositors from being endangered by suits over the collection of usurious bank loans. Consequently, it would not pay small borrowers to plead usury in the courts.

4. COSTS. The argument that further regulation will increase costs has been used to resist the passage of every desirable piece of social legislation. All such legislation, whether pertaining to child labor, to workmen's compensation, to bank examinations, or to small loans, imposes additional costs on the enterprise affected. Yet these laws have frequently produced economies that more than offset the additional costs.

Charges of small loan companies, for instance, have been dramatically reduced by regulatory laws requiring the computation of charges on unpaid principal balances, and there is no reason to expect a different result when the same requirement is applied to personal loans by banks. Credit unions, whose techniques of lending are more nearly like those of banks, have thrived under laws requiring computation of interest on unpaid bal-

ances at rates of charge far lower than those of many banks. In Connecticut, a number of banks are operating successfully at a rate of 1 percent a month calculated on unpaid balances; and, in New York, mutual savings banks have repeatedly asked the legislature for similar privileges.

Computations of charges on unpaid balances can be made with great speed and at very low cost. Charges can be precomputed, the sum of principal and charges divided into equal or rounded payments, and adjustment for prepayments and delinquency can be made at the time of the final payment. This procedure is no more costly than discounting if pro rata rebates are given and fines are related to the degree of delinquency.

5. DIGNITY. The final argument that it is undignified for banks to be compelled to state their charges in the same way as small loan companies can be dismissed very briefly. Handsome is as handsome does. The dignity of the personal loan operations of banks depends upon the fairness, honesty, and social conscience with which they are conducted and not upon the method used to compute interest.

Behind all the arguments that have been advanced in favor of discounts and fees—underlying all the attacks upon the proponents of a simple interest computation—is one single cause: Those bankers who have taken the lead in opposition do not want to tell the truth about their interest rates. It is not that simple interest calculations are strange or restrictive or costly or undignified for banks, but simply that the acknowledgment of an interest charge higher than the conventional rate is believed to be harmful to them.

Commissioner Henry has observed that "some bankers are honest enough to admit this as their real objection." One banker recently said to me, "Six percent has sex appeal for the consumer." Another has said: "Your proposal utterly neglects the merchandising features of personal loan operations. Borrowers would be on our necks if we quoted simple interest rates."

Here is the real issue. Shall rates of charge be disclosed in the most readily understandable terms for the protection of the borrower? Or shall we permit inaccurate and misleading statements of charge to be used to exploit the market for small personal loans? On one side of this question stand a few bank officers seeking to protect their existing practices and to legalize a system which was developed to evade the law. On the other side are the overwhelming majority of ob-

jective students of the small loan problem.

The great majority of thinking bankers have neither understood the issues nor had a chance to express an opinion on them. There are doubts even among active partisans. Last year, the Consumer Credit Committee of the Wisconsin Bankers Association said: "If the cost of consumer credit loans is advertised, this cost should be clearly and completely shown. A discount rate on a percentage basis should not be advertised for the reason that the actual simple interest rate is approximately double the discount rate."

If discounts are misleading, why not use the simple interest rate? I thoroughly believe that the banking profession as a whole would answer this question unequivocally.

The issues are broader than the question of bank practices. If banks are permitted to charge discounts, fees, and fines, these privileges cannot in fairness be withheld from other money lenders. The result would be a return to the law of the jungle in the small loan field.

Poll Reveals Bookmatches Bring Results

(Continued from page 107)

One of the credit unions which distributed bookmatches through its cafeteria had this to say. "We have quite a demand for matches at our cafeteria and information desk. We group them in dozens and sell them for five cents."

Question No. 2: What have you hoped to accomplish with them?—brought forth the following:

Interest members? 22 answer "Yes"
Get new members? 23 answer "Yes"

Create Loan Demand? 23 answer "Yes"

Encourage Saving? 18 answer "Yes"
Two also said they were using bookmatches to create interest in credit union activities, and to keep the credit union before the membership so that they would think of the credit union, when they think of money—either saving or borrowing.

One didn't check any of the reasons. They said they were using bookmatches solely as a gesture of goodwill.

In reply to Question No. 3: Have you tried to watch the effect of your bookmatch advertising?

20 answered "Yes" and 2 answered "No."

One questionnaire contained this statement in answer to question No. 3: "People seem to take pride in their

own bank and like to exhibit casual evidence of their affiliation."

Another in reply to this same question stated "Very close. We find that the effect is very good, it keeps the member in contact with us and by so doing, the member either saves a dollar or learns something new about his credit union, namely, the low cost for the use of money the credit union way."

A credit union in a large eastern shipyard replied as follows to this question: "This credit union is slightly over two years old and has made a steady gain in assets every month since organized. At present assets are close to \$100,000. We believe that any form of advertisement is both helpful and stimulating to any organization.

"Have had some favorable personal comments," was on another questionnaire. Other said: "No effect noticed, due to only part of our order having been distributed, and then at various times."

"Yes, but it's almost impossible to put your finger on it."

"Yes, I am told that they did not know our telephone number. That they did not know they could save as well as borrow.

Question No. 4. What results has this advertising produced?—developed these replies:

6 replied that it was too early to note any results yet.

6 replied that it was difficult to determine just what the results were.

2 replied that it created interest in credit union.

4 replied that it resulted in increased use of credit union—either in savings or in loans.

2 replied that it resulted in a demand for more bookmatches.

5 replied that it resulted in new members.

2 replied that there were no results from the bookmatches.

A few answers quoted from the questionnaire said:

"It has created more respect for the credit union, making members realize we can afford to advertise, still realize a profit, and pay dividends."

"Created greater loan demand mostly."

"It is hard to say."

"No record."

"Yet to be seen."

"We believe it has created an interest in our credit union in a different way."

"Additional savings and some few loans to date, but the results are very rapidly improving favorably."

"None discernible."

"Demand for more bookmatches,

but no results as stated in Question No. 2."

"Many new members—more loans."

"It's hard to say—we get out some form of advertising every couple of months. The bookmatches created a lot of comment."

"Seemingly good."

"Received quite a few new members."

"Demand for more matches."

"This will be difficult to determine. Hope to make employees 'Credit Union' conscious."

"The knowledge that they could save or borrow, and that we did not care which they preferred."

Question No. 5: Do you plan to continue using bookmatches?—produced these answers:

2 did not reply.

13 said they did.

3 said they did not.

7 said they were undecided.

1 said they hoped to.

Some of the answers, again taken directly from the reply were:

"Will have to wait results."

"At least use up this lot."

"No, too expensive."

"Possibly."

"Not yet determined."

"Yes."

"Not continuously—but from time to time."

Question No. 6 asked—Do you plan any changes in the way you have used them? A tabulation of the replies revealed:

5 did not reply to the question.

16 answered that they did not plan any changes.

3 said that they did plan to change.

2 said it was too early to know yet if they would change or not.

A few answers quoted from the questionnaire are:

"We will try distributing them in stores and restaurants."

"None."

"Unknown at this time."

"None, as yet."

"Yes."

"Yes, but nothing definite yet."

In Touch with Soldiers

Personal messages were written on annual membership meeting notices and mailed to each credit union member in the armed forces by the officers of the American Smelting and Refining Company Credit Union, Omaha, Nebraska, reports Allan Wolf. Mr. Wolf thinks more credit unions should do this sort of thing; he says too many credit unions are keeping in touch with the borrowers but not the rest.



WAKE up, Americans! Make America's answer roar out over the world. Every citizen must back the United States Army and Navy to victory—back them with work and money.

Do Your Part: Buy United States War Bonds and Stamps



Bound volumes of THE BRIDGE for 1942 are available at \$3 apiece.



For COMPLETE

- LIFE
- FIRE
- AUTOMOBILE
- LIABILITY
- ACCIDENT
- and HEALTH

INSURANCE PROTECTION

These insurance services are available in Ohio, Penna., W. Va., Va., N. Y., N. C., Conn., R. I., Md., Dela., Vt., and D. of C.

Form Bureau Mutual Automobile Insurance Co.

Form Bureau Mutual Fire Insurance Co.

Form Bureau Life Insurance Co.

Home Office—Columbus, Ohio

Utah Wins Organization Prize

At the September 5, 1942, meeting of the Executive Committee of the Credit Union National Association, Inc., there were two votes taken as follows:

"That a prize consisting of a \$100.00 War Bond be awarded at the next annual meeting to the volunteer credit union organizer who forms the largest number of credit unions for each 1,000 of population in the vicinity in which he lives."

The second vote provides:

"That a cup or plaque be offered to the State League which during the fiscal year of March 1, 1942, to February 28, 1943, has produced by gross count the largest number of credit unions per million of population; for custody by that State League until some State League has won it for three consecutive years, at which time it shall have permanent possession of the cup or plaque."

It became obvious as the contest proceeded that the terms of the contest should have been much more clearly defined. It is anticipated that further contests will be held, and that any pos-

sible inequities resulting from the first contest can be eliminated.

The plaque has been awarded to the Utah State Credit Union League, in which State ten new credit unions were organized for the year ending February 28, 1943, being one for each 55,031 of population.

British Columbia was second with fourteen new credit unions, being one for each 57,800 of population. Idaho was third with seven new credit unions, being one for each 74,981 of population. Prince Edward Island was fourth with one new credit union, being one for the 93,919 population of that Province. Louisiana was fifth with twenty-three new credit unions, being one for each 102,777 of population. The 1940 census was used as the basis of determining credit unions per population.

It is necessary to wait until the Executive Committee meets before the individual prize winner can be determined. This is due to the fact that it is necessary to have them pass on the rules of the contest.

The winner will be announced in the next issue of *THE BRIDGE*.

California Grange Resolution

The last convention of the California State Grange approved formally of credit unions in the following resolution:

"Whereas: Millions of Americans do not have access to credit at reasonable rates of interest and are compelled to pay exorbitant rates for the use of money to the great detriment of themselves and society, and

"Whereas: The California State Grange and the National Grange are dedicated to the principle that all worthy individuals should have credit at a reasonable rate of interest, and

"Whereas: The Grange is interested in and encourages greater participation by the people of this country in the solution of their own economic problems, and

"Whereas: The Credit Union Movement has brought to millions, credit at reasonable rates of interest and has encouraged more widespread democratic participation by millions of its members in the solution of their own economic problems, and

"Whereas: The continued growth of the Credit Union Movement is partially dependent upon favorable legislation, both Federal and State,

"Therefore be it resolved: That the

Jugoslavia's Plight

True to Nazi pattern, the Cooperative Movement in Jugoslavia has been ravaged as a result of German occupation.

Cooperative saving societies numbering 500 hitherto operated and drove out German moneylenders and broke the power of the big industrialists. Consumers' societies broke through the monopolies of German traders, and were extended to include 200 branches. An agricultural movement was also in vigorous stages of development.

A German Commission soon interfered with cooperative activities. Cooperative property has been confiscated. The exact destination of the funds is not known, but it is believed that these are being used in the process of Germanizing Jugoslavia.

—*Cooperative Review*
Manchester, England

Protection Through CUNA Mutual

The benefits of doing things the credit-union way can be worked out on paper now and then. Take the case of Joseph J. Joseph: it's not his real name, but he was a member of an Illinois credit union.

Mr. Joseph died recently. He had made regular wise use of his credit union, using it to finance his car, his furniture and his doctor's bills. At the same time he bought shares which he used as partial collateral.

When he died, there was a loan outstanding in his name for \$548. His share account contained \$90.03. Due to long disability, interest on the loan amounted to \$15.53.

If Mr. Joseph had used some other method of borrowing, there would have been a bill against his estate for \$563.53, even assuming that he could have got the same interest rate outside a credit union. Perhaps he would have saved the same sum of \$90.03 somewhere—in that case, the net obligation of his estate would have been \$437.50.

What really happened? His credit union filed claims with the CUNA Mutual Insurance Society on April 7. On April 14 two checks were received: one for \$563.53 covering Mr. Joseph's loan account and interest; one for \$90.03 covering his share account.

The loan was paid, the share account of \$180.06 was turned over to Mrs. Joseph. The net result was a difference of \$653.56.



THE CREDIT UNION SPIRIT

Is It Worth While?

Over four years ago one of our members borrowed over \$500 from us on an eighteen-month loan. The loan was made to man and wife on security of car and furniture. Very shortly the woman had to quit work and has not since been gainfully employed. The business venture for which the money was borrowed failed, and the couple lost the home they were buying.

Last month, after over four years, this loan was completely paid—a vindication of personal integrity and credit union faith. No fines were ever assessed and no collection threats were ever made. These people kept faith with us, paid as they could, and kept us advised of their situation. We never lost confidence in them. Even if a personal loan company had been willing to carry them as we did, their interest charges would have been at least \$137.50 more than they paid the credit union! Is the credit union worth while?

—Christian Board Credit Union Thrift-o-gram, St. Louis Missouri.

Look Here, Diogenes!

More than a year ago, a member of the Philadelphia Teachers Credit Union left the employ of the Board of Education owing the credit union a considerable sum of money. The first we knew of it was when his regular payments ceased to arrive. Every effort to communicate with the man was a failure; he had disappeared without a trace. Men who make a business of finding such people were not able to uncover a single clue as to his whereabouts. The credit union just about gave up all hope.

And then came a bolt from the blue—a letter from Pearl Harbor containing a large sum of money in money orders. You guessed it, it was from the man who disappeared.

He was a civilian employee and had bought the money orders bit by bit out of his earnings. His instructions to us were to pay off his loan and fines and put the rest in shares. We did!

—Philadelphia Teachers Credit Union News, Philadelphia, Pennsylvania.

Wanted

The Wisconsin Credit Union League is seeking a Managing Director. Persons interested in the position should send their applications to William Clark, President, Wisconsin Credit Union League, c/o A. O. Smith, Corp., Milwaukee, Wisconsin.

THE BRIDGE—May, 1943

Sixty Cents a Month

*protects a thousand dollars in loans
against the death of your borrowers!*

If your borrowers all died tomorrow, what would you do? Would you collect from their widows, their co-signers, their estates? Would you seize their collateral?

What kind of credit union would you have left?
How many members would want to stay members?

Loan Protection insurance protects your members and your credit union against the death of borrowers. When a borrower dies, CUNA Mutual Insurance Society pays the loan. You get the satisfaction of telling the widow and co-signers that the loan is paid. Your members get real credit union service. Co-makers are more willing to sign for their friends, knowing that they are not going to be left holding the bag if the maker dies.

There is no credit union service that makes more good friends for the credit union than Loan Protection Insurance. Ask the credit union that has it!

Write today for our free leaflet on Loan Protection.

There is No
War Clause in
our contracts!



Our Readers Write

Likes Article

To the Editor:

Roy F. Bergengren's article "Decks Cleared for Action" in the April issue of THE BRIDGE is an outstanding thought provoking article. It is packed with inspiration, equally striking to new and old credit union members. At the present time we are passing through a crucial transformation period and much in the future destiny of the "common man" will depend on how we of the credit union movement play our part. A careful reading and study of "Decks Cleared for Action" can be of inestimable help to us, not only in meeting our tests, but also as stepping stones to higher hill tops along the credit union way.

Knute Haddeland
Starbuck Credit Union Society, Ltd.
Starbuck, Manitoba

E Pin Plus Cuna Button

To the Editor:

Our factory was recently awarded the Army, Navy E for its achievement

in the war effort, so on my coat lapel are two representations that are hard to beat, my Cuna button and my E pin. Both working for that we hold most dear and hope to pass on to our grandchildren: democracy and freedom.

Our credit union is one of the younger ones in the field. We have two hundred and fifty-nine members while our shareholdings are not large but are increasing steadily. Our first annual meeting was held several weeks ago and was quite a success.

Our factory produces steel tubing and pipe so vital in keeping the war machine moving forward. Any Navy man is well acquainted with Babcock and Wilson boilers and the same of the Army with its various weapons of defense and offense.

Together the E pin and the Cuna button make a splendid combination of which we employees of B. & W. are quite proud.

B. & W. Employees FCU
Howard Russell, Vice Pres.
Beaver Falls, Pennsylvania

Could This Happen To You?

A credit union fieldman recently visited a credit union in a large Southern city. During the conversation with the treasurer the following incident came to light. A member of the credit union submitted a loan application for the purpose of making a down payment on a home. The treasurer thought the loan was covered by Regulation W, and of course could not work out a possible repayment schedule for the application. However, there seemed to be some doubt in his mind regarding this loan and Regulation W; so he decided to call his bank. He was advised that his credit union could not make the loan, but that the bank could, and he should send the person desiring the money to the bank. He did.

Moral: When you have a credit union problem or question—take it to your chapter president, your league managing director or write, phone, or wire Cuna. They have the correct answers to credit union problems. Furthermore, if you had a toothache, you wouldn't go to a blacksmith, would you?

What's more, this subject was discussed in the "What About It?" column of the August, 1942 issue of THE BRIDGE. Cuna had previously sent to every credit union a letter dated June 2, 1942 interpreting Regulation W, which also covered this item.

Wife Carries On

B. Latcher Webster, Managing Director of the North Carolina Credit Union League, reported for duty with Uncle Sam's Marines, April 24, at San Diego, California.

His wife, Mrs. Melba Webster, has been selected to take over his duties, by the Board of Directors of the North Carolina Credit Union League, Inc.

Mrs. Webster received an A.B. degree from the East Carolina Teachers College, Greenville, North Carolina,



Mrs. Melba Webster

and taught school before her marriage, in June 1939. While a student at East Carolina Teachers College, she was chosen a member of the first edition of "Who's Who Among Students in American Universities and Colleges."

Mrs. Webster feels that her job is no small undertaking and that a grave responsibility is hers. Her humble plea to all credit union members in the State of North Carolina is that each member will accept and share the responsibility that goes to make up unity, so that when this terrible war is over, they can say they helped to build a firmer organization for the credit union movement.

War Jottings

Capt. Lincoln Grayson, formerly Managing Director of the Massachusetts Cuna Association, and Treasurer of the Marine Credit Union, is in a rest camp in Australia, following duty in New Guinea. He writes that the only ill effect he suffered was the loss of twenty pounds.

Edythe B. White, ex-director of the Massachusetts Cuna Association is now Third Officer in the WAAC, at Fort Oglethorpe, Georgia.

PUT YOUR HOUSE IN ORDER

No doubt your credit union has been experiencing the increased loan activity that appears to be quite general.

It is reasonable to assume that it will continue throughout the Spring, and perhaps into the Summer.

Put your house in order now, so you will be able to serve promptly your members' needs. Check your supplies. Order what you need—today. Don't be caught with too little.

Remember that an important part of this process is to inform your members what the credit union can do for them.

Use:

POSTERS—large variety, bright colors, illustrate every phase of credit union activity. Size: 10½ x 15. Cost: 5 cents each.

PAYROLL INSERTS—fit any pay envelope, tell what your credit union does. Cost: 35 cents per hundred.

BOOKS—"Credit Union North America," by R. F. Bergengren, the credit union textbook, profusely illustrated, 390 pages, cost \$2.00 (\$1.00 to affiliated credit unions). "The War and After," by Bergengren and Doig, discusses the relationship of the credit union to total war. Cost: 50 cents.

LEAFLETS—designed to help your members understand the credit union and how to use it. Send for list and prices.

BARGAIN FOR THE MONTH

THE CREDIT UNION LITERATURE RACK. A handy book stand; shelves for books and credit union literature. A fine piece of office furniture, handy for a dozen purposes. Picture on application; comes knock-down, unfinished, easily assembled. Now offered at the unbelievably low price of \$7.50 F.O.B. Madison, Wisconsin.

Use this order blank!

CUNA Supply Cooperative, Madison, Wisconsin:

Please send us posters; pay roll inserts; the following books:

Information relative to leaflets ; an illustrated leaflet showing the Literature rack Find \$..... enclosed or bill the same to the

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City State

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Madison, Wisconsin

OR YOUR STATE LEAGUE IF IT HANDLES FORMS



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kept or money is handled,
there is need for some
product of
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for "unceasing excellence" in the production
of precision instruments and other war matériel.

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of used Nationals are available at our 344 offices in United States and Canada*